

**Q2 REVENUE BUDGET 2017/18
PERFORMANCE MONITORING**

Presented by the Director of Finance & Resources

EXECUTIVE SUMMARY

This report summarises monitoring of revenue expenditure to 24 September 2017. It compares actual income and expenditure to the budget. It also provides a projection indicating the likely out-turn position against the annual budget for the year ending 31 March 2018. The overall net operational expenditure at the year-end is expected to be an estimated £124,000 over the approved budget for 2017/18. The major variations currently projected are summarised in the table below.

Service Description	Variance 2016/17	Impact in 2018/19
	£	£
Sponsorship Income	50,000	0
Property Management	6,000	0
Car parking Charges	100,000	0
East India Dock Rental	10,000	0
Biodiversity	(40,000)	40,000
Lee Valley Farm Holyfield Hall	29,000	0
Other (Net)	(31,000)	0
Total Estimated Over Spend:	124,000	40,000

RECOMMENDATION

Members Note: (1) the report.

BACKGROUND

- 1 The Executive Committee recommended a budget for 2017/18 at its meeting in January 2017 (Paper E/477/17). This was approved by Members at the Authority meeting on 21 January 2017 (Paper A/4236/17). This report compares actual income and expenditure to 24 September 2017 with the budget and projected net expenditure through to the year end (31 March 2018).

- 2 Details of the financial position of each Authority service or facility are shown in Appendix A to this report.
- 3 Currently it is estimated that at the year-end there will be a projected over spend of £124,000.
- 4 Where significant over/under spends are projected at the year-end for particular facilities/services a brief explanation is provided below.

GENERAL ECONOMIC FACTORS

- 5 Certain financial and economic factors have and will continue to impact on the budget during 2017/18 and into future financial years and these are summarised in the following paragraphs. Overall uncertainty exists in financial markets during the negotiations to leave the European Union and officers will monitor closely developments that may have a direct impact on the Authority's budget, for example interest rates.
- 6 Members received a paper in June 2016 (Paper E/452/16) which set out that agreement had been reached by employers and the relevant unions in respect of the pay award for National Joint Council (NJC) for local government services.

The agreed pay award of 1% for 2016/17 and a further 1% in 2017/18 formed part of a national agreement and was applied to all officers up to scale point 49 with effect from 1 April 2016. In addition Members approved that posts above scale point 49 would also receive this inflationary increase. These increases were estimated and included in the 2017/18 budget and medium term financial plan for future years and therefore will have no additional impact above that already budgeted for.

For future years beyond 2017/18 the government retains its position on the public sector pay freeze at 1% for four years up to 2020 subject to recommendations from pay review bodies and the 1% currently built into the financial plan will be maintained unless circumstances materialise to the contrary.

- 7 Continued uncertainty in the banking sector has had an impact on investment returns and certainty around where investments are deposited. The Authority has significantly adjusted its base level of investment income downwards and this formed part of the budget setting process for 2017/18. The 2017/18 target rate of return agreed by Members as part of the Annual Report on Treasury Management was approved at 0.6% (Paper E/497/17). This return has been built into the 2017/18 budget, although this figure could still change subject to interest rate changes, use of capital resources to fund schemes and potential land sales generating further receipts.

The Director of Finance & Resources continues to monitor Authority investments and the institutions that they are invested in and will keep Members updated on this position through quarterly monitoring reports in 2017/18.

- 8 Locally the Authority is still awaiting the outcome of the 2010/17 rating appeal for Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre. Following discussion with the Authority's appointed rates consultant this could be settled in the Autumn. If a more favourable valuation is achieved this could yield a one-off

benefit for the Authority although nothing is included at this point within the revenue monitoring.

All eligible centres that transferred to Lee Valley Leisure Trust Ltd (the Trust) received 80% mandatory relief for 2016/17. This amounted to a saving of £1.7million and this was again built into the 2017/18 budget and the Trust management fee.

Nationally the major revaluation of business rates has been completed and implemented from April 2017 (delayed from April 2015). This has seen a marginal increase in business rates at the Trust venues in 2017/18 (circa £16K) and it is anticipated the Trust will be able to manage this within their existing budget and management fee for this year (2017/18).

A greater increase (circa £44K) has impacted on the Authority for Myddelton House. The financial plan assumed a proportion of this (£25K) would be recoverable as Abercrombie Lodge (occupied by the Trust) would be eligible for charitable rate relief from December 2016. In addition the need to vacate Abercrombie Lodge due to structural issues may provide additional savings for empty rates relief. On this basis the assumption is that Myddelton House will still achieve budget and no variation is currently projected for 2017/18. A further report on the structural issues relating to Abercrombie Lodge and the implications on office accommodation will be brought to Members.

For future years both the Trust and the Authority may need to uplift the base budget for business rates following the 2017 revaluation (currently circa £550K across both organisations) as transitional relief to reduce the impact of higher rating valuations falls away alongside any possible outcomes from outstanding rate appeals at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre.

- 9 Inflation rates have recently seen increases. September's inflation for the Retail Price Index stood at 3.9% and Consumer Price Index at 3.0%.
- 10 The main variances against this year's budget are described below.

CHIEF EXECUTIVE

11 Sponsorship Income (£50,000 reduced income)

A stretch income target of £50,000 is built into the 2017/18 budget and forward financial plan to achieve more income from external sponsorship. Although the Authority has been occasionally approached by major broadcasters seeking sponsorship benefits and/or ticketing deals at the major legacy venues the reality of cash funding has been difficult to achieve. Officers are continually striving to open up this income stream and will bring back to Members any tangible/beneficial offers as they emerge, but, it is unlikely that this stretch target will be achieved in 2017/18. Members will recall that at the last Committee officers brought forward a paper regarding Hockey Pitch Replacement which included an element of sponsorship for two new pitch replacements worth in excess of £350,000. The agreement for replacement of the pitches at the suppliers cost allowed the pitches to be branded with their company name.

DIRECTOR OF CORPORATE SERVICES

12 Property Management (£6,000 net over spend)

Traveller incursions have required extra expenditure to put up added physical defences at Picketts Lock thereby increasing costs at this site. In addition increased costs have been incurred with significant expenditure in clearing/cleaning up fly-tipping. Other income from the use of the car park for motorcycle training (currently not included in the budget) has gone some way to reduce this extra expenditure as the quarter one projection of £22,000 over budget has now reduced to £6,000.

PARKLANDS & OPEN SPACES

13 Car Parking Charges - (£100,000 reduced income)

The implementation of this project across the Park has involved protracted negotiations as the Authority has sought support from various third parties to introduce charging in its car parks.

Epping Forest District Council (EFDC) has now confirmed that they are not in a position to assist the Authority until the Autumn. Car park schemes within Broxbourne Borough Council are progressing and additional assistance from their Chief Executive has been engaged and it is now hoped that these will be launched in the Autumn.

Due to the slow progress officers have also explored various other delivery options and as such have engaged with a private company Parking Eye (currently running the car parking at Lee Valley VeloPark and Lee Valley Hockey & Tennis Centre). Charging started on 23 October for two car parks (Gunpowder Park and Waltham Abbey Gardens) so we should start to achieve small income returns over the coming months enabling more accurate forecasting of income in 2017/18 and for future years. Consideration is now being given to roll the Parking Eye contract to all the car parks within EFDC.

Discussions are also taking place with the London Borough of Haringey and they are currently working on a scheme for Tottenham Marshes.

It is anticipated that this shortfall in income in this financial year will not have an impact in future years as schemes get up and running before the new financial year in 2018/19.

14 East India Dock Basin Rental Agreement – (£10,000 reduced income)

The Authority's intention to lease land at East India Dock Basin to contractors for builder cabins is still in the planning process. A decision is expected within the next few months. If permission is granted officers will finalise lease terms.

15 Biodiversity (£40,000 under spend)

Paper E/454/16 set out the receipt of monies on completion of a S106 agreement to complete the environmental improvements to land adjacent to Glen Faba. The agreement has now been signed and £75,000 has been transferred from Hertfordshire County Council to fund these works. Project development and planning is in progress before works commence on site and it

is likely that implementation will span at least two financial years and will fall in 2017/18 and 2018/19. It is currently estimated that £25,000 will be spent in 2017/18 and Members approved a carry forward of £40,000 underspend in 2017/18 to complete these works in 2018/19.

16 Lee Valley Farm – Holyfield Hall (£29,000 reduced income)

The price paid for milk has been steadily on the rise and an additional £0.83ppl (pence per litre) has been announced for September. This equates to an additional £6,000, however low cow numbers have reduced the level of milk production.

Officers are currently confident that reductions can be made in this loss of income as herd numbers are down which means savings in related cost codes i.e. feed, vet bills.

Grain will also miss the income budget due to the yields being reduced due to the adverse weather just before harvest.

Officers have appointed a specialist farm consultant (Strutt Parker) to review operational management options and this review will be undertaken over the winter, with a view to return the findings (and recommendations) to Members of Scrutiny Committee in early 2018.

The farm operation is also stretched due to the manager being on long term sick since May. Therefore daily management is currently being undertaken by the Assistant Manager with support from the Head of Parklands, which impacts on the staffing capacity of the venue.

ENVIRONMENTAL IMPLICATIONS

- 17 There are no environmental implications arising directly from the recommendations in this report.

EQUALITY IMPLICATIONS

- 18 There are no equality implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 19 These are dealt with in the body of the report. Overall projections estimate an over spend on the bottom line budget which would have a small impact on available general reserves (£4.126m). If this overspend materialises by the year end the Authority will be below its approved minimum reserve level of £4m. Officers have continued to review the budget and current year expenditure plans/income forecasts to reduce this projected overspend to bring it back in line with the budget. Quarter 1 projected overspend of £168,000 is now lower at £124,000 as improved income returns on property rents and events are being factored in to year end forecasts.

HUMAN RESOURCE IMPLICATIONS

- 20 These are dealt with in the body of the report.

LEGAL IMPLICATIONS

- 21 There are no legal implications arising directly from the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

- 22 Spending of the budget is important in achieving the Authority's corporate objectives. The projected spend to the end of this financial year will have an impact on the Authority's budget in future years and will be incorporated into the Medium Term Financial Plan.

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ABBREVIATIONS

The Trust Lee Valley Leisure Trust Ltd (trading as Vibrant Partnerships)
EFDC Epping Forest District Council

PREVIOUS COMMITTEE REPORTS

Executive Committee	E/516/17	Q1 Revenue Budget 2017/18 Performance Monitoring	21 September 2017
Executive Committee	E/4497/17	Annual Report on Treasury Management Activity 2016/17 and Annual Investment Strategy 2017/18	25 May 2017
Authority	A/4236/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017
Executive Committee	E/477/17	2017/18 Revenue Budget & Levy 2017/18	19 January 2017

APPENDIX ATTACHED

Appendix A Details of the financial position of each Authority service or facility

YEAR 2017/18

PERIOD: 06 (September 2017)

	Actual To Date			Annual Net Budget	Proposed Net Outturn	Variance		
	Income	Expenditure	Net			£000s	%	
OPERATIONAL SERVICES								
Chief Executive	-66	778	712	1,124	1,161	37	3%	
Corporate Services	-488	753	265	325	327	2	1%	
Financial Services	-241	437	196	1,005	994	-11	(1%)	
Parklands and Open Spaces	-426	2,411	1,985	3,642	3,738	96	3%	
Leisure Trust Contract	0	1,400	1,400	2,779	2,779	0	0%	
FINANCING								
Interest Receivable	3	0	3	-80	-80	0	0%	
Interest & Bank Charges	0	0	0	0	0	0	0%	
Contributions to Earmarked Reserves	0	0	0	819	819	0	0%	
Financing of Capital Expenditure	0	0	0	1,003	1,003	0	0%	
Levies on Local Authorities	-6,269	0	-6,269	-10,187	-10,187	0	0%	
Movement in General Fund				430	554	124	29%	
General Fund Balance Brought Forward					-4,612			
General Fund Balance Carried Forward					-4,058			

YEAR 2017/18

PERIOD: 06 (September 2017)

	Actual To Date			Annual	Proposed	Variance		
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%	
CHIEF EXECUTIVE								
Chief Executive	0	132	132	216	266	50	23%	NR
Committee Service	0	47	47	103	102	-1	(1%)	NR
PR / Communications	-16	318	302	499	487	-12	(2%)	
Lee Valley Ice Centre - Feasibility Study	-50	281	231	306	306	0	0%	
TOTAL CHIEF EXECUTIVE	-66	778	712	1,124	1,161	37	3%	
CORPORATE SERVICES								
Legal Service	-3	170	167	349	345	-4	(1%)	
Property Management	-485	260	-225	-786	-780	6	1%	
Planning and Strategic Partnerships	0	134	134	350	350	0	0%	PR
Asset Protection, Maintenance & Development	0	189	189	412	412	0	0%	
TOTAL CORPORATE SERVICES	-488	753	265	325	327	2	1%	
FINANCIAL SERVICES								
Finance Management	0	81	81	257	255	-2	(1%)	
Audit	0	11	11	84	87	3	4%	
Non Distributed Costs	0	23	23	73	69	-4	(5%)	
Corporate Training	0	1	1	36	37	1	3%	
Leisure Trust Employee Secondments	-232	232	0	0	0	0	0%	
Business Support	0	0	0	340	340	0	0%	
Sports Development	-9	20	11	75	66	-9	(12%)	
Leisure Contract Venues Insurance	0	69	69	140	140	0	0%	
TOTAL FINANCIAL SERVICES	-241	437	196	1,005	994	-11	(1%)	
PARKLANDS AND OPEN SPACES								
Management								
Operational Management	0	89	89	140	140	0	0%	PR
Policy and Performance	5	265	270	491	491	0	0%	
Myddelton House Management	-6	231	225	295	295	0	0%	
Parklands								
River Lee Country Park	-9	365	356	739	788	49	7%	
Gunpowder Park	0	67	67	168	193	25	15%	
Countryside Areas	-32	453	421	778	794	16	2%	
Abbey Gardens	-2	39	37	113	121	8	7%	
Three Mills	-15	4	-11	32	30	-2	(6%)	
East India Dock and Bow Creek	0	27	27	32	42	10	31%	
Leyton Marsh	0	-2	-2	0	0	0	0%	
Broxbourne Riverside	-1	9	8	-13	-13	0	0%	
Fisheries	-113	72	-41	-20	-20	0	0%	
Visitor Attractions								
Myddelton House	-118	188	70	225	225	0	0%	
Rye House Gatehouse	0	4	4	8	8	0	0%	

YEAR 2017/18

PERIOD: 06 (September 2017)

	Actual To Date			Annual	Proposed	Variance	
	Income	Expenditure	Net	Net Budget	Net Outturn	£000s	%
Park Projects							
Youth & Schools Service	-41	122	81	200	200	0	0%
Volunteers	-1	53	52	105	105	0	0%
Biodiversity	0	48	48	166	126	-40	(24%)
Countryside Live	0	0	0	10	11	1	10%
Community Access	0	40	40	80	80	0	0%
Farms							
Lee Valley Farm, Holyfieldhall	-86	330	244	133	162	29	22%
Initiatives and Partnerships							
King George Reservoir South	0	0	0	0	0	0	0%
Lee Valley Boat Centre	0	4	4	-33	-33	0	0%
Broxbourne Chalets	-7	3	-4	-7	-7	0	0%
TOTAL PARKLAND AND OPEN SPACES	-426	2,411	1,985	3,642	3,738	96	3%
TOTAL AUTHORITY	-1,221	4,379	3,158	6,096	6,220	124	2%

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